

YALE PUBLIC SCHOOLS
Yale, Michigan

ANNUAL FINANCIAL REPORT
with Supplementary Information

FOR THE YEAR ENDED
JUNE 30, 2008

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



YALE PUBLIC SCHOOLS

TABLE OF CONTENTS JUNE 30, 2008

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	17
Notes to the Financial Statements	18
Required Supplementary Information:	
Budget Comparison Schedule:	
General Fund	32
Supplementary Financial Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	35
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Athletic Fund	37
Food Service Fund	38
Latch Key Fund	39
Fiduciary Funds:	
Private-Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets	40
Combining Statement of Changes in Fiduciary Net Assets	40
Agency Fund:	
Statement of Changes in Assets and Liabilities	41



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Yale Public Schools
Yale, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yale Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Yale Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Yale Public Schools, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2008, on our consideration of Yale Public Schools internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and budgetary comparison on page 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yale Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stewart, Beauvoir & Whipple

Certified Public Accountants

September 10, 2008

YALE PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Yale Public Schools financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$19,392,301 in revenue or 87.7 percent of all revenues. Program specific revenue in the form of charges for service and operating grants and contributions accounted for \$2,724,661 or 12.3 percent of total revenues of \$22,116,962.
- The School District had \$20,270,432 in expenses; only \$2,724,661 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily state aid and property tax) of \$19,392,301 were adequate to provide these programs.
- General Fund had \$18,297,876 in revenues and other sources and \$17,906,573 in expenditures and transfers. The General Fund's fund balance increased \$391,303 from 2007. The Board of Education's final budget for 2007-08 projected expenditures over revenue of \$554,000. However, it is anticipated that not every line item in the budget will be spent down to zero with actual expenditures and transfers being 95.8% of the total budget. Revenues and other sources were 100.9% of budgeted projections.

Using this General Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Yale Public Schools as a financial whole and entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Yale Public Schools, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, childcare, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. The School District's fund financial statements provide detailed information about the most significant funds— not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (The Latchkey Fund is an example). The School District's major governmental fund is the General fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2007 and 2008:

Table 1 Net Assets		
	<u>2007</u>	<u>2008</u>
Assets		
Current and Other Assets	\$ 6,597,260	\$ 7,050,249
Capital Assets	<u>25,353,452</u>	<u>24,683,296</u>
Total Assets	<u>31,950,712</u>	<u>31,733,545</u>
Liabilities		
Non-Current Liabilities	\$ 25,719,394	\$ 23,587,257
Other Liabilities	<u>2,068,876</u>	<u>2,137,316</u>
Total Liabilities	<u>27,788,270</u>	<u>25,724,573</u>
Net Assets		
Invested in Capital Assets, Net of Debt	\$ 788,292	\$ 1,416,764
Restricted	835,884	821,449
Unrestricted	<u>2,538,266</u>	<u>3,770,759</u>
Total Net Assets	<u>\$ 4,162,442</u>	<u>\$ 6,008,972</u>

The above analysis focuses on the net assets. The School district's net assets were \$6,008,972 at June 30, 2008. Capital assets, net of related debt totaling \$1,416,764 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining balance of \$3,770,759 is unrestricted.

The \$3,770,759 in unrestricted net assets of governmental activities represents the *accumulated* results of all past year's obligations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2008:

Table 2
Changes in Net Assets

	<u>2007</u>	<u>2008</u>
Revenues		
Program Revenues:		
Charges For Services	\$ 689,404	\$ 783,116
Operating Grants and Contributions	1,941,253	1,941,545
General Revenues:		
Property Taxes	5,206,948	5,348,339
Grants and Entitlements	13,687,669	13,923,671
Other	149,830	120,291
Total Revenues	<u>\$ 21,675,104</u>	<u>\$ 22,116,962</u>
Program Expenses		
Instruction	\$ 10,743,021	\$ 10,922,912
Support Services	6,762,366	7,022,871
Community Services	9,295	882
Athletics	407,768	435,922
Food Services	716,360	749,533
Latchkey	154,625	134,026
Interest and fiscal charges on long term debt	1,208,911	1,004,286
Total Expenses	<u>20,002,346</u>	<u>20,270,432</u>
Increase in Net Assets	<u>\$ 1,672,758</u>	<u>\$ 1,846,530</u>

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

Table 3
Statement of Activities

	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Instruction	\$ 10,922,912	\$ 9,328,960
Support Services	7,022,871	6,884,444
Community Services	882	882
Athletics	435,922	374,961
Food Services	749,533	(10,896)
Latchkey	134,026	(34,046)
Outgoing transfers and other transactions		
Interest and fiscal charges on long term debt	1,004,286	1,001,466
Total Expenses	<u>\$ 20,270,432</u>	<u>\$ 17,545,771</u>

Instruction expenses include activities directly related with the teaching of pupils and the interaction between teacher and pupil. Instruction comprises 53.9 percent of district expenses. This is .2 percent higher than in 2007.

Support service expenses make up 34.6 percent of the expenses, which is .8 percent higher than 2007. Support services are described below:

- Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.
- Board of Education, administration, fiscal and business include expenses associated with administrative and financial supervision of the district.
- Operation and maintenance of plant activities keep the school grounds, buildings, and equipment in an effective working condition.
- Central includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.
- Pupil transportation includes activities involved with the conveyance of students to and from schools, as well as to and from school activities.

Athletics includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Latchkey provides childcare services to the community, including before and after school programs, preschool programs and full day care programs.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

Increase in Net Assets

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$20,270,432. Certain activities were partially funded from those who benefited from the programs or by other governments and organizations that subsidized certain programs with grants and categoricals (\$2,724,661). We paid for the remaining "public benefits" portion of our governmental activities with \$5,348,339 in taxes, \$13,923,671 in State Foundation Allowance, and with our other revenues, such as interest and other general revenues.

The School District experienced an increase in net assets of \$1,846,530. The key reason for the change in net assets was an increase due to reduction of bonded indebtedness.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$4,954,745, which is an increase of \$384,174 from last year.

- The General Fund, our principal operating fund, fund balance increased \$391,303 to \$4,000,270, which is \$945,303 more than the projected ending balance of \$3,054,967. Overall, actual General Fund revenues and expenses were within 96 percent of final budgeted amounts.
- Our Special Revenue Funds' fund balances increased \$17,759.
- As a result of paying off the School Bond Loan Fund in 2007-2008, the combined Debt Funds' fund balances decreased \$227,339. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations. Combined, the debt service fund balance totals \$477,692 or 9.6 percent of total governmental fund balances.
- The Capital Project Funds' fund balances increased \$202,451. This increase resulted primarily from a general fund transfer to provide for significant maintenance and repair projects as well capital asset acquisitions.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Variances to the General Fund original budget were as follows:

- Actual revenues were \$805,305 more than original projections, which was due in part to the actual pupil enrollment, which included an additional 24 FTE's (\$173,000) and an increase in the per-pupil allocation from the State (\$274,000).
- The district began recognizing donations made to programs as local revenue, rather than reducing expenditures as in the past. The St Clair RESA passes through Public Act 18 tax revenue, which increased approximately \$100,000 in 2007-2008. Similar to federal programs (revenue and expenditures are dependent on the other); the SCCRESA invoiced the district for a greater amount of program and support costs provided by their organization. Both Latch Key and Food

Service programs transferred funds to offset indirect costs incurred both in the current school year, and prior year (Latch Key only).

- Finally, allocations for federal grants were estimated when preparing the original budget as final figures were not available at the time of adoption. As revenue for grants can only be recognized to the amount equal to actual expenditures incurred, changes in grant revenues are directly affected by expenditures.

- Overall, general fund actual expenditures were \$131,527 less than originally budgeted. Additional energy and maintenance expenses were offset by reductions in personnel costs.
- Diesel fuel costs increased 40 percent from original projections.
- Two hundred thousand dollars was transferred from General Fund to the General Capital Projects account to set aside funds to provide for major building repair items and other large capital asset purchases that may arise in the future.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the School District had \$36.5 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. Prior to 2002, the district did not have a formal fixed asset system in place.

Table 4
Capital Assets (Net of Depreciation) at June 30

	2007	2008
Land	\$ 290,189	\$ 290,189
Buildings	31,388,293	31,412,109
Buses and other vehicles	1,755,539	1,776,682
Furniture and equipment	<u>3,178,046</u>	<u>2,993,546</u>
Total capital assets	36,612,067	36,472,526
Less accumulated depreciation	<u>11,258,615</u>	<u>11,789,230</u>
Net capital assets	<u>\$ 25,353,452</u>	<u>\$ 24,683,296</u>

Obsolete and unused equipment and instructional shop tools were sold at auction in August 2007. More detailed information about our capital assets can be found in the notes to the financial statements.

Debt

At the end of this year, the School District had \$23.6 million in bonds and loans outstanding versus \$25.7 million in 2007. Those bonds consisted of the following:

Table 5
Outstanding debt at June 30,

	2007	2008
2005 Bond Refinanced	\$ 15,450,000	\$ 14,395,000
2003 Debt Fund	9,230,000	9,125,000
School Bond Loan Fund	965,968	0
Durant Bonds	<u>107,684</u>	<u>107,684</u>
Total Outstanding Debt	<u>\$ 25,753,652</u>	<u>\$ 23,627,684</u>

- Durant bonds are a result of the State of Michigan's Durant settlement. The principal and interest payments will be appropriated by the State legislature under Section 11g(3) of Act 94. Therefore, the district is not required to fund the payment of this debt. Should the legislature fail to appropriate debt service in any year, the District has no responsibility to make payment.

Other obligations include employee-compensated absences, which will be due at the time of the employee's termination.

Economic Factors and Next Year's Budgets and Rates

The State increased the per-pupil foundation allocation by \$119 for the 2007-2008 school year. This, coupled with an increase in students (FTE's), provided sufficient funding to support programs and educational expenditures in 2007-08. District personnel costs were reduced not only by a decrease in the retirement rate but acceptance of a lower-cost insurance for teachers implemented in October 2007. These on-going budget reductions offset increases in wages and other benefits.

The Board of Education and the administration chose to build the 2008-09 budget on \$7,204 per student, waiting until the State legislature and governor agreed upon a final allocation before including in an adopted budget. The other important factor in the budgeting process is the student count. Although the district has historically seen consistent growth in its student population, in February the trend reversed and student enrollment declined. Mitigating the February 2008 student loss was the return of Yale students from a neighboring school district.

The budget reflects a decrease in the retirement rate from 16.72% to 16.54%, effective October 1, 2008. Health premiums are budgeted to increase an average of only ½%-10% in 2008-09; the cost for health coverage was less last year due to a switch to the MESSA PPO plan by the custodial, central office and teachers group.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 198 School Drive, Yale, Michigan 48097. You may also e-mail questions to bsilkworth@yale.k12.mi.us.

BASIC FINANCIAL STATEMENTS

YALE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 3,726,375
Investments	505,796
Receivables -	
Accounts	12,955
Due from other governmental units -	
State	2,650,069
Inventory	21,659
Deposits	24,297
Deferred charges - issuance costs	109,098
Capital Assets (net of accumulated depreciation)	
Assets not being depreciated	290,189
Assets being depreciated	<u>24,393,107</u>
Total Assets	<u><u>31,733,545</u></u>
LIABILITIES:	
Accounts payable	93,842
Accrued payroll and fringes	1,863,087
Accrued interest payable	172,240
Deferred revenue	8,147
Non-current liabilities-	
Due within one year	1,276,142
Due more than one year	<u>22,311,115</u>
Total Liabilities	<u><u>25,724,573</u></u>
NET ASSETS :	
Investment in capital assets, net of related liabilities	1,416,764
Restricted -	
Food Service	96,001
Debt Service	414,550
Acquisition/Construction of capital assets	310,898
Unrestricted	<u>3,770,759</u>
Total Net Assets	<u><u>\$ 6,008,972</u></u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 10,922,912	\$ 21,621	\$ 1,572,331	\$(9,328,960)
Support Services	7,022,871	138,427	-	(6,884,444)
Community Services	882	-	-	(882)
Athletics	435,922	60,961	-	(374,961)
Food Services	749,533	394,035	366,394	10,896
Latch Key	134,026	168,072	-	34,046
Interest and fiscal charges on long term debt	1,004,286	-	2,820	(1,001,466)
Total governmental activities	\$ 20,270,432	\$ 783,116	\$ 1,941,545	\$(17,545,771)
General Revenue:				
Taxes:				
Property taxes, levied for general purposes				2,500,200
Property taxes, levied for debt services				2,848,139
State aid unrestricted				13,923,671
Interest and investment earnings				120,291
Total general revenue				<u>19,392,301</u>
Change in net assets				1,846,530
Net assets at beginning of year				<u>4,162,442</u>
Net assets at end of year				<u>\$ 6,008,972</u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2008

	General	Other Non-major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 3,517,964	\$ 208,411	\$ 3,726,375
Investments	-	505,796	505,796
Receivables -			
Accounts	11,065	1,890	12,955
Due from other governmental units -			
State	2,623,895	4,844	2,628,739
Due from other funds	-	270,738	270,738
Inventory	3,017	18,642	21,659
Prepaid and deposits	24,297	-	24,297
Total Assets	<u>\$ 6,180,238</u>	<u>\$ 1,010,321</u>	<u>\$ 7,190,559</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 63,948	\$ 29,894	\$ 93,842
Accrued payroll and fringes	1,841,579	21,508	1,863,087
Due to other funds	270,738	-	270,738
Deferred revenue	3,703	4,444	8,147
Total Liabilities	<u>2,179,968</u>	<u>55,846</u>	<u>2,235,814</u>
Fund Balances:			
Reserved -			
Prepaid expenditures	24,297	-	24,297
Food service	-	96,001	96,001
Debt service	-	477,692	477,692
Capital projects	-	310,898	310,898
Unreserved -			
Designated -			
Buses acquisition	76,137	-	76,137
Undesignated	3,899,836	69,884	3,969,720
Total Fund Balances	<u>4,000,270</u>	<u>954,475</u>	<u>4,954,745</u>
Total Liabilities and Fund Balance	<u>\$ 6,180,238</u>	<u>\$ 1,010,321</u>	<u>\$ 7,190,559</u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS JUNE 30, 2008

Fund Balances - total governmental funds	\$	4,954,745
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Capital assets		36,472,526
Accumulated depreciation	(	11,789,230)
Other long term assets are not available to pay for current period expenditures and, therefore, are not deferred in the funds.		
Accrued state aide to cover accrued interest		21,330
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and Notes payable	(	23,627,684)
Accrued interest on bonds payable	(	172,240)
Accrued compensated absences	(	320,725)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets, (netted against bonds payables)		
		260,015
Discounts and Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payables)		
Bond discount		101,137
Bond Issuance costs are reported as debt retirement expenditures in the governmental funds, where they are deferred and amortized from net assets		
		<u>109,098</u>
Net Assets of governmental activities	\$	<u>6,008,972</u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2008

	General	Other Non-major Governmental Funds	Total
Revenues:			
Local sources	\$ 2,738,003	\$ 3,471,207	\$ 6,209,210
State sources	14,483,017	39,731	14,522,748
Federal sources	616,070	326,663	942,733
Interdistrict sources	396,915	-	396,915
Interest	-	42,536	42,536
Total Revenues	<u>18,234,005</u>	<u>3,880,137</u>	<u>22,114,142</u>
Expenditures:			
Current -			
Instruction	10,335,812	-	10,335,812
Support services	6,984,879	-	6,984,879
Community Services	882	-	882
Athletics	-	434,100	434,100
Food Service	-	731,468	731,468
Latch key	-	134,026	134,026
Debt service -			
Principal	-	2,160,153	2,160,153
Interest	-	948,648	948,648
Total Expenditures	<u>17,321,573</u>	<u>4,408,395</u>	<u>21,729,968</u>
Excess of revenues over (under) expenditures	<u>912,432</u>	<u>(528,258)</u>	<u>384,174</u>
Other Financing Sources (Uses):			
Transfers In	63,871	585,000	648,871
Transfers Out	(585,000)	(63,871)	(648,871)
Total Other Financing Sources (Uses)	<u>(521,129)</u>	<u>521,129</u>	<u>-</u>
Net Change in Fund Balances	391,303	(7,129)	384,174
Fund Balances at beginning of year	<u>3,608,967</u>	<u>961,604</u>	<u>4,570,571</u>
Fund Balances at end of year	<u>\$ 4,000,270</u>	<u>\$ 954,475</u>	<u>\$ 4,954,745</u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES JUNE 30, 2008

Net change in fund balances - total governmental funds		\$	384,174
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated lives and reported as depreciation.			
Capital outlay			197,389
Depreciation expense		(	867,545)
Revenue reported in the statement of activities that does not provide current current financial resources and are not reported as revenue in the governmental funds			
State aide to cover accrued interest			2,820
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.			
Principal payments on long term liabilities			2,160,153
Bond proceeds (interest on school bond loan program)	(	34,185)	
Amortization of Bond discount	(	5,323)	
Amortization of Deferred issuance cost	(	5,742)	
Amortization of Refunding loss	(	13,685)	2,101,218
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the fund			
Decrease in accrued interest payable			3,297
Decrease in accrued compensated absences			25,177
Change in net assets of governmental activities		\$	<u>1,846,530</u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	Private- Purpose Trust Funds	Student Activities Agency Fund
ASSETS		
Cash and cash equivalents	\$ 1,102	\$ 235,994
Investments	<u>488,397</u>	<u>-</u>
Total Assets	<u>489,499</u>	<u>235,994</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>\$ 235,994</u>
NET ASSETS		
Reserved For Scholarships	<u>\$ 489,499</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

ADDITIONS	
Interest	\$ 20,735
DEDUCTIONS	
Scholarships awarded	<u>16,058</u>
Change in Net assets	4,677
Net Assets at beginning of year	<u>484,822</u>
Net Assets at end of year	<u>\$ 489,499</u>

The accompanying notes are an integral part of these financial statements.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting methods and procedures adopted by Yale Public Schools conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

A. Reporting Entity –

Yale Public Schools, located in Yale, Michigan, was established under the constitution and statutes of the State of Michigan. Yale Public Schools is one of seven (7) School Districts located in St. Clair County, Michigan, each of which is a separate governmental entity. The School District operates under an elected School Board (seven members) and provides services to approximately 2,300 students from the City of Yale, and the Townships of Riley, Greenwood, Kenoskee, Brockway, Clyde, Emmett, and Grant in St. Clair County and the Townships of Speaker and Fremont in Sanilac County, in many areas, including basic education, special education, vocational education, adult education, athletics, and food services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. Based on these criteria the School District had no component units.

B. District-wide and Fund Financial Statements –

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for Governmental Funds and the Fiduciary Fund, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

The Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary Fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reported the following major governmental funds:

General Fund – is the District's primary operating fund. It accounts for all activities of the District not reported in other funds.

Additionally, the District reports the following fund types:

Special Revenue Funds – are used to account for all financial resources relating to the operation of the Food Service, Athletic and Latch Key programs of the School District.

Debt Service Funds – are used to account for the payment of, principal, interest, and other expenditures on long-term bonded debt.

Capital Projects Funds – are used to record transactions related to the expenditure of bond proceeds for the renovation and expansion of the School District's buildings.

Private Purpose Trust Funds – are used to account for resources legally held in trust for scholarships. All resources in the funds, including any earnings on the invested resources with the exception of the original contribution in the Bette Guilliani Scholarships fund, can be awarded in scholarships.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Agency Fund – is used to account for assets held by the District as an agent for student clubs and other activities.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes and unrestricted state aid.

When both restricted and unrestricted resources are available for use, it is the District's policy to apply restricted resources first and the unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition, money market and governmental pool investment funds and are recorded at cost which approximates fair value. The governmental pool investment funds have the general characteristics of demand deposit accounts in that the School District may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property taxes receivable are shown net of an allowance for uncollectible amount.

Inventory –

Inventory in the Special Revenue (Food Service) Fund represents purchased food supplies which are reported at the lower of cost, determined by the first-in, first-out (FIFO) method, or market, and federal commodities distributed to the School District through the State which are reported as costs determined by the Federal Government. Inventories in the General Fund are recorded as expenditures when purchased.

Prepaid Items –

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide financial statements and in the fund financial statements.

Property Tax Calendar –

Property taxes are levied as of December 1, by the various municipalities within the school district based on the assessed value the preceding December 31. Taxes are due on February 14, with the final collection date of February 28, after which the delinquent real property taxes are added to the County rolls.

YALE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

In connection, St. Clair and Sanilac Counties have established Delinquent Tax Revolving funds whereby all local units of government, including the School District, are paid for the delinquent real property taxes each year. The Counties will charge back to the local units of government any real property taxes not collected at the end of four years. Past experience has indicated that such chargebacks should not be material.

Capital Assets –

Capital assets, which include property, buildings, equipment and vehicles are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of \$1,000 or more and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The School District does not have infrastructure type assets.

Property, buildings, equipment and vehicles of the District are depreciated using the straight-line method over the estimated useful lives:

Building and additions	20-50 years
Buses and other vehicles	10-15 years
Furniture and other equipment	7-20 years

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the district-wide fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations –

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represents tentative management plans that are subject to change.

Comparative Data –

Comparative Data is not included in the District's financial statements.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Federal Programs –

Federal Programs are accounted for in the General and Special Revenue Funds of the District. The District has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit is issued under separate cover as supplementary information to the Basic Financial Statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Compliance –

The General and Special Revenue Funds budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The departments in conjunction with the Director of Business Services, prepare and submit their proposed operating budgets for the fiscal year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Board of Education. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Board of Education Resolution. After the budget is adopted, all amendments must be approved by the Board of Education.

The School District's approved budgets were adopted at the function level for the General and Special Revenue Funds. These are the legal enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the level of budgetary control adopted by the Board of Education (the level at which expenditures may not legally exceed appropriations). The General Fund budget was maintained at the account level for control purposes.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

The District does not employ encumbrance accounting as an extension of budgetary integration. All amounts appropriated lapse at year-end.

Budget amounts are reported as the original adopted and the final amended by the Board of Education during the year.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of June 30, 2008, the carrying amount of the deposits and investments is as follows:

	Governmental Activities	Fiduciary Funds	Total
Deposits and Cash on Hand-			
Cash on Hand -			
Petty Cash	\$ 896	\$ -	\$ 896
Deposits with Financial Institutions -			
Checking	2,423,172	237,096	2,660,268
Savings/Certificates of Deposit	<u>505,796</u>	<u>488,397</u>	<u>994,193</u>
Total Deposits	2,928,968	725,493	3,654,461
Investments -			
Investment Pools	<u>1,302,307</u>	<u>-</u>	<u>1,302,307</u>
Total	<u>\$ 4,232,171</u>	<u>\$ 725,493</u>	<u>\$ 4,957,664</u>
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 896	\$ -	\$ 896
Checking	2,423,172	237,096	2,660,268
Investment Pools	<u>1,302,307</u>	<u>-</u>	<u>1,302,307</u>
Total Cash and Cash Equivalents	3,726,375	237,096	3,963,471
Reported as Investments -			
Certificates of Deposit	<u>505,796</u>	<u>488,397</u>	<u>994,193</u>
Total	<u>\$ 4,232,171</u>	<u>\$ 725,493</u>	<u>\$ 4,957,664</u>

Custodial Credit Risk - Deposits -

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The District does not have a deposit policy for custodial credit risk.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

As of June 30, 2008, the carrying amount of the School District deposits is \$3,654,461 and the bank balance is \$4,065,220. Of the bank balance, \$216,255 is covered by Federal Depository Insurance, with the remaining \$3,848,965 exposed to credit risk since it is uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution it deposits School District Funds with and assesses the level of risk of each institution. The School District uses only those financial institutions with an acceptable estimated risk level as depositories.

Interest Rate Risk – Deposit - Interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates. At year-end, the School District's deposits had \$994,193 certificate of deposits with a range of one to five years of maturity date. The certificates of deposits have been reported in the financial statement as investment.

Investments -

The District has a formal policy regarding the type of investments and associated risks but the policy does not impose any limitation on investment with a single issuer (concentration of credit risk), minimum rating requirement (credit risk) nor interest rate risk. Michigan Public Act 132 of 1986, as amended, has authorized School District in Michigan to invest surplus funds in the following types of investments:

- a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- b) Certificates of deposit issued by a state or national bank, savings account of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in the State.
- c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d) Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- e) United States government or federal agency obligation repurchase agreements.
- f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

- b) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Credit Risk – Investments – The District had \$1,302,307 invested in four investment pools. The investment pools are investment funds created exclusively for Michigan public school districts. The funds comply with all the requirements of Michigan Public Act 451 of 1976. The investment trusts invest primarily in U.S. Treasury bills, government agencies, discount notes and commercial paper. The funds also selectively sought floating and fixed coupon extension trades to capture additional yield.

The balances at June 30, 2008 per investment pool are as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Michigan Liquid Asset Fund	\$ 87,172	AAAm	Standard & Poor's	60
Comerica School Cash Investment Fund	1,204,107	A1	Standard & Poor's	23
LaSalle Public Funds Investment Trust	8,212	AAAm	Standard & Poor's	14
US Bank Investment Trust	2,816	AAAm	Standard & Poor's	17

These investment pools have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the district may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

Custodial Credit Risk – Investments – is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment that are in possession of another party.

The securities of the investment pools are safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the District's investment policy safekeeping requirement.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS:

Capital assets activity of the School District for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets, not being depreciated:				
Land	\$ 290,189	\$ -	\$ -	\$ 290,189
Capital assets, being depreciated:				
Buildings and improvements	31,388,293	23,816	-	31,412,109
Buses and other vehicles	1,755,539	141,230	120,087	1,776,682
Furniture and equipment	3,178,046	32,343	216,843	2,993,546
Total capital assets being depreciated	36,321,878	197,389	336,930	36,182,337
Less accumulated depreciation for:				
Buildings and improvements	7,130,366	651,954	-	7,782,320
Buses and other vehicles	1,355,559	122,917	120,087	1,358,389
Furniture and equipment	2,772,690	92,674	216,843	2,648,521
Total accumulated depreciation	11,258,615	867,545	336,930	11,789,230
Total capital assets being depreciated, net	25,063,263	(670,156)	-	24,393,107
Total capital assets	\$ 25,353,452	\$ (670,156)	\$ -	\$ 24,683,296

Depreciation expense was charged to the various function/programs as follows:

Governmental Activities -	
Instruction	\$ 622,396
Support services	215,206
Athletics	11,878
Food services	18,065
	<u>\$ 867,545</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances is as follows:

Due to/From Other Funds:

Receivable Fund	Payable Fund	Amount
Athletic Fund	General Fund	\$ 20,268 (1)
Capital Projects Fund	General Fund	250,446 (1)
Food Service Fund	General Fund	24 (1)
		<u>\$ 270,738</u>

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – (cont'd):

Interfund Transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Latch Key	\$ 43,171 (2)
General Fund	Food Service	20,700 (2)
Athletic Fund	General Fund	385,000 (2)
98 Capital Project Fund	General Fund	<u>200,000</u> (2)
		\$ 648,871

(1) To reimburse expenditures between funds

(2) To support operations

NOTE 6 - DEFERRED REVENUE:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Revenue received prior to meeting all eligibility requirements	\$ _____	\$ 8,147

NOTE 7 - LONG-TERM LIABILITIES:

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Building and site bonds	\$ 24,680,000	\$ -	\$ 1,160,000	\$ 23,520,000	\$ 1,195,000
Deferred charges for –					
Refunding loss	(273,700)	-	(13,685)	(260,015)	(13,685)
Issuance discount	(106,460)	-	(5,323)	(101,137)	(5,323)
School Bond Loan Program	965,968	34,185	1,000,153	-	-
1998 Durant bonds	107,684	-	-	107,684	10,150
Accrued Vacation/Sick leave	<u>345,902</u>	<u>94,942</u>	<u>120,119</u>	<u>320,725</u>	<u>90,000</u>
	<u>\$ 25,719,394</u>	<u>\$ 129,127</u>	<u>\$ 2,261,264</u>	<u>\$ 23,587,257</u>	<u>\$ 1,276,142</u>
Deferred charges – issuance costs	<u>\$ 114,840</u>	<u>\$ -</u>	<u>\$ 5,742</u>	<u>\$ 109,098</u>	<u>\$ 5,742</u>

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 - LONG-TERM LIABILITIES - (cont'd):

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

Building and Site Bonds Payable -

On September 29, 2005, the District issued \$16,455,000 General Obligation Unlimited Tax Refunding Bonds for the purpose of partially refunding 1993 Building and Site Bonds and 1997 Building and Site Bonds. The refunding resulted in economic gain (difference between present value of debt service payments on the old and new debt) of \$1,414,714. The 2005 bonds are due in annual installments of \$665,000 to \$1,095,000 through May 1, 2027; interest ranging from 3.25 to 5.00 percent payable semi-annually.

\$ 14,395,000

On March 25, 2004, the District issued \$9,995,000 of General Obligation Unlimited Tax Refunding Bonds to advance refund a portion of the 1993 general obligation unlimited tax bonds. The net proceeds, after deducting issuance costs were deposited in an escrow account along with \$353,000 from the 1993 Debt Service Fund and used to purchase U.S. Government Securities. Accordingly, the trust (escrow) account assets and liabilities for the defeased bond issue are not included in the District's financial statements. At June 30, 2005, \$9,460,000 of the debt defeased "in substance" remains outstanding. The advanced refunding resulted in an economic gain (difference between present value of debt service payments on the old and new debt) of \$1,320,998. The 2003 bonds are due in annual installments ranging from \$100,000 to \$705,000 through May 1, 2023, plus interest ranging from 3.0 to 4.35 percent, payable semi-annually.

\$ 9,125,000

\$ 23,520,000

Durant Bonds -

Durant Non-Plaintiff - Included in governmental activities general obligation bonds is the Durant Non-Plaintiff Bond with an original issue amount of \$182,372. Annual principle installments are required of \$8,041 to \$62,503 from May 15, 2009 through May 15, 2013, with interest at 4.76 percent. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any School District debt levy or utilization of any other School District financial resources.

\$ 107,684

Accrued Vacation and Sick Leave -

The accrued vacation and sick leave represents the long-term portion of accumulated unpaid sick leave due qualifying School District employees upon termination with the District.

\$ 320,725

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 7 - LONG-TERM LIABILITIES -- (cont'd):

Annual Debt Requirements -

The annual requirements to pay the debt outstanding at June 30, 2008, for the following obligations are as follows:

	<u>Building and Site Bonds</u>		<u>Durant Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	1,195,000	905,458	10,150	2,657
2010	1,225,000	867,270	62,503	23,543
2011	1,265,000	829,172	11,139	1,668
2012	1,305,000	786,998	11,668	1,138
2013	1,350,000	742,860	12,224	582
2014-2018	7,150,000	2,956,635	-	-
2019-2023	7,030,000	1,520,175	-	-
2024-2027	3,000,000	318,750	-	-
	<u>\$23,520,000</u>	<u>\$8,927,318</u>	<u>\$107,684</u>	<u>\$29,588</u>

The Debt Service Funds have \$477,692 available at June 30, 2008, to service the Building and Site Bonds.

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

Plan Description -

The School District, as part of the Michigan Public School System, is required by State law to participate in the Michigan Public School Employees Retirement System (MPERS), a statewide cost sharing multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement, survivor and disability benefits and currently operates under the provisions of Act 300 of the Public Acts of 1980, as amended. The plan covers substantially all employees of the School District. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Office of Retirement Services, Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan 48909-7671 or from their website www.michigan.gov/ors.

Funding Policy -

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits amounts on a cash disbursement basis. The actuarial rate for the period July 1, 2007-September 30, 2007 was 17.74%. The retirement rate decreased to 16.72% effective October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but non-basic plan members contribute to the Member Investment Plan (MIP) at rates ranging from 3.0% to 4.3% based on the date of enrollment and the graduated permanent fixed rate contributions. Beginning July 1, 2008, employees hired after that date will be required to contribute 6.4% of compensation over \$15,000. The District's contributions to MPERS for the last three years were as follows:

2006	\$1,659,445
2007	1,691,174
2008	1,605,608

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

NOTE 8 - DEFINED BENEFIT PENSION PLAN - (cont'd):

Post Retirement Benefits -

Under the MPSERS Act, all retirees participating in the MPSRS plan have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for these post retirement benefits are included in the actuarial rates determined as part of the basic retirement benefits.

NOTE 9 - RISK MANAGEMENT:

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation, as well as medical benefits provided to employees. The School District participates in the SET-SEG risk pool for property loss, general liability, fleet coverage, errors and omissions. The pool, organized under Public Act 138, is composed of School Districts throughout the State of Michigan who pay annual premiums based on the level of coverage, experience, deductible levels, etc. The pool retains the first \$500,000 coverage for each individual claim with reinsurance for amounts in excess of that amount. In years when premiums exceed the claims and other costs, refunds are given based on a number of criteria, including those mentioned above. Should the plan need additional funding they could also assess the members' additional charges.

The School District contracts with a commercial insurance carrier to provide medical benefits. The School District also participates in the SET-SEG Self-Insured Workers' Compensation Fund for claims relating to workers' compensation. The pool operates as a common risk sharing management program for school districts in Michigan. Members' premiums are used to purchase commercial excess insurance and to pay member claims in excess of deductible amounts.

YALE PUBLIC SCHOOLS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

NOTE 10 - FUND EQUITY - RESERVED/DESIGNATED FUND BALANCE

Reserved Balance -

Fund balance has been reserved in the following funds to indicate a portion of fund balance is not available but reserved for a specific purposed at June 30, 2008.

Primary Government -

General Fund -

Prepaid and Deposits	\$ 24,297
----------------------	-----------

Other Governmental Funds

Food Service Fund -

Food Service	96,001
--------------	--------

Debt Service Funds -

2003 Debt	213,316
-----------	---------

2005 Debt	<u>264,376</u>	477,692
-----------	----------------	---------

1998 Capital Project Fund -

Capital Projects	<u>310,898</u>
------------------	----------------

<u>884,591</u>

Total	\$ <u>908,888</u>
-------	-------------------

Designated Fund Balance -

The School District Board has designated \$76,137 of the General Fund, fund balance for purchase of buses.

REQUIRED SUPPLEMENTARY INFORMATION

YALE PUBLIC SCHOOLS

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2008

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Local sources	\$ 2,536,000	\$ 2,705,300	\$ 2,738,003	\$ 32,703
State sources	13,986,700	14,407,700	14,483,017	75,317
Federal sources	613,300	568,200	616,070	47,870
Interdistrict sources	292,700	405,400	396,915	(8,485)
Total Revenues	<u>17,428,700</u>	<u>18,086,600</u>	<u>18,234,005</u>	<u>147,405</u>
Expenditures:				
Current -				
Instruction -				
Basic programs	8,629,000	8,964,400	8,739,810	224,590
Added needs	1,681,300	1,662,500	1,596,002	66,498
Support Services -				
Pupil	872,300	906,800	877,148	29,652
Instructional staff	630,600	669,600	625,998	43,602
General administration	423,400	346,100	314,430	31,670
School administration	1,208,900	1,272,400	1,254,145	18,255
Business services	352,300	382,900	349,608	33,292
Operation and maintenance	2,033,800	2,187,300	2,005,050	182,250
Pupil transportation services	1,254,900	1,245,500	1,201,700	43,800
Other support services	302,500	436,600	356,800	79,800
Community Services -				
Custody and care of children	7,900	21,500	882	20,618
Debt Service	56,200	-	-	-
Total Expenditures	<u>17,453,100</u>	<u>18,095,600</u>	<u>17,321,573</u>	<u>774,027</u>
Excess of revenues over expenditures	(24,400)	(9,000)	912,432	921,432
Other Financing Sources (Uses):				
Transfers In	-	48,000	63,871	15,871
Transfer Out	(464,500)	(593,000)	(585,000)	8,000
Total Other Financing Sources (Uses)	<u>(464,500)</u>	<u>(545,000)</u>	<u>(521,129)</u>	<u>23,871</u>
Net Change in Fund Balance	(488,900)	(554,000)	391,303	945,303
Fund Balance at beginning of year	<u>2,863,854</u>	<u>3,608,967</u>	<u>3,608,967</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 2,374,954</u>	<u>\$ 3,054,967</u>	<u>\$ 4,000,270</u>	<u>\$ 945,303</u>

OTHER SUPPLEMENTARY INFORMATION

YALE PUBLIC SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	Special Revenue Funds		
	Athletic	Food Service	Latch Key
ASSETS			
Cash and cash equivalents	\$ -	\$ 130,078	\$ 57,558
Investments	-	-	-
Accounts receivable	317	-	-
Due from other governmental units -state	-	4,844	-
Due from other funds	20,268	24	-
Inventory/Deposits	-	8,642	-
Total Assets	<u>\$ 20,585</u>	<u>\$ 143,588</u>	<u>\$ 57,558</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	\$ 29,894	\$ -
Accrued liabilities	8,259	13,249	-
Deferred revenue	-	4,444	-
Total Liabilities	<u>8,259</u>	<u>47,587</u>	<u>-</u>
Fund Balance:			
Reserved For-			
Food Service	-	96,001	-
Debt Service	-	-	-
Capital Projects	-	-	-
Unreserved -			
Undesignated	12,326	-	57,558
Total Fund Balance	<u>12,326</u>	<u>96,001</u>	<u>57,558</u>
Total Liabilities and Fund Balance	<u>\$ 20,585</u>	<u>\$ 143,588</u>	<u>\$ 57,558</u>

Debt Service Funds		Capital Project Fund	
Refinance 2003 Issue	Refinance 2005 Issue	1998 Project	Total
\$ 11,213	\$ 9,562		\$ 208,411
201,480	253,864	50,452	505,796
623	950	-	1,890
-	-	-	4,844
-	-	250,446	270,738
-	-	10,000	18,642
<u>\$ 213,316</u>	<u>\$ 264,376</u>	<u>\$ 310,898</u>	<u>\$ 1,010,321</u>
\$ -	\$ -	\$ -	\$ 29,894
-	-	-	21,508
-	-	-	4,444
-	-	-	55,846
-	-	-	96,001
213,316	264,376	-	477,692
-	-	310,898	310,898
-	-	-	69,884
<u>213,316</u>	<u>264,376</u>	<u>310,898</u>	<u>954,475</u>
<u>\$ 213,316</u>	<u>\$ 264,376</u>	<u>\$ 310,898</u>	<u>\$ 1,010,321</u>

YALE PUBLIC SCHOOLS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds		
	Athletic	Food Service	Latch Key
Revenues:			
Local sources	\$ 60,961	\$ 394,035	\$ 168,072
State sources	-	39,731	-
Federal sources	-	326,663	-
Interest	-	4,637	2,125
Total Revenues	<u>60,961</u>	<u>765,066</u>	<u>170,197</u>
Expenditures:			
Current -			
Athletics	434,100	-	-
Food services	-	731,468	-
Latch key	-	-	134,026
Debt Service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>434,100</u>	<u>731,468</u>	<u>134,026</u>
Excess of revenues over (under) expenditures	(373,139)	33,598	36,171
Other Financing Sources:			
Transfers In	385,000	-	-
Transfers (Out)	-	(20,700)	(43,171)
Total other financing sources	<u>385,000</u>	<u>(20,700)</u>	<u>(43,171)</u>
Net Change in Fund Balance	11,861	12,898	(7,000)
Fund Balances at beginning of year	<u>465</u>	<u>83,103</u>	<u>64,558</u>
Fund Balances at end of year	<u>\$ 12,326</u>	<u>\$ 96,001</u>	<u>\$ 57,558</u>

Debt Service Funds		Capital Project Fund	
Refinance 2003 Issue	Refinance 2005 Issue	1998 Project	Total
\$ 609,503	\$ 2,238,636	\$ -	\$ 3,471,207
-	-	-	39,731
-	-	-	326,663
10,268	23,055	2,451	42,536
619,771	2,261,691	2,451	3,880,137
-	-	-	434,100
-	-	-	731,468
-	-	-	134,026
308,504	1,851,649	-	2,160,153
340,334	608,314	-	948,648
648,838	2,459,963	-	4,408,395
(29,067)	(198,272)	2,451	(528,258)
-	-	200,000	585,000
-	-	-	(63,871)
-	-	200,000	521,129
(29,067)	(198,272)	202,451	(7,129)
242,383	462,648	108,447	961,604
\$ 213,316	\$ 264,376	\$ 310,898	\$ 954,475

YALE PUBLIC SCHOOLS

ATHLETIC FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Gate receipts	\$ 51,600	\$ 56,900	\$ 60,961	\$ 4,061
Expenditures:				
Athletics				
Salaries				
Professional	242,900	256,700	251,630	5,070
Nonprofessional	17,000	31,000	24,848	6,152
Fringe benefits	73,300	75,600	69,385	6,215
Purchased services	56,100	46,200	45,719	481
Supplies and materials	13,200	27,200	30,466	(3,266)
Capital Outlay	9,700	3,200	2,881	319
Other expenses	8,900	10,000	9,171	829
Total Expenses	421,100	449,900	434,100	15,800
Excess of revenue under expenditures	(369,500)	(393,000)	(373,139)	19,861
Other Financing Sources :				
Transfer In	369,500	393,000	385,000	(8,000)
Net Change in Fund Balance	-	-	11,861	11,861
Fund Balance at beginning of year	465	465	465	-
Fund Balance at end of year	\$ 465	\$ 465	\$ 12,326	\$ 11,861

YALE PUBLIC SCHOOLS

FOOD SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Sales	\$ 387,000	\$ 394,500	\$ 394,035	\$(465)
Interest	3,000	4,500	4,637	137
State sources -				
Grants	49,000	76,000	39,731	(36,269)
Federal sources -				
Grants	270,000	302,000	326,663	24,663
Total Revenues	<u>709,000</u>	<u>777,000</u>	<u>765,066</u>	<u>(11,934)</u>
Expenditures:				
Food service				
Salaries -				
Nonprofessional	130,000	131,200	133,391	(2,191)
Fringe benefits	48,600	48,600	49,078	(478)
Purchased services	150,000	150,000	96,406	53,594
Supplies and materials	385,000	418,000	451,956	(33,956)
Capital Outlay	15,000	15,000	-	15,000
Other expenditures	400	400	637	(237)
Total Expenditures	<u>729,000</u>	<u>763,200</u>	<u>731,468</u>	<u>31,732</u>
Excess of revenue over (under) expenditures	(20,000)	13,800	33,598	19,798
Other Financing Uses:				
Transfers Out	-	(20,700)	(20,700)	-
Net Change in Fund Balance	(20,000)	(6,900)	12,898	19,798
Fund Balance at beginning of year	<u>36,300</u>	<u>83,103</u>	<u>83,103</u>	-
Fund Balance at end of year	<u>\$ 16,300</u>	<u>\$ 76,203</u>	<u>\$ 96,001</u>	<u>\$ 19,798</u>

YALE PUBLIC SCHOOLS

LATCH KEY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources -				
Tuition	\$ 180,000	\$ 180,000	\$ 168,072	\$(11,928)
Interest	2,000	2,000	2,125	125
Total Revenues	<u>182,000</u>	<u>182,000</u>	<u>170,197</u>	<u>(11,803)</u>
Expenditures:				
Latch key				
Salaries -				
Professional	1,500	1,500	1,500	-
Nonprofessional	135,100	125,100	99,994	25,106
Fringe benefits	38,400	38,400	26,917	11,483
Purchased services	4,000	4,000	1,444	2,556
Supplies and materials	6,000	6,000	3,871	2,129
Other expenses	900	900	300	600
Total Expenses	<u>185,900</u>	<u>175,900</u>	<u>134,026</u>	<u>41,874</u>
Excess of revenue over (under) expenditures	(3,900)	6,100	36,171	30,071
Other Financing Uses:				
Transfer to General Fund	-	(27,300)	(43,171)	(15,871)
Net Change in Fund Balance	(3,900)	(21,200)	(7,000)	14,200
Fund Balance at beginning of year	<u>21,581</u>	<u>64,558</u>	<u>64,558</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 17,681</u>	<u>\$ 43,358</u>	<u>\$ 57,558</u>	<u>\$ 14,200</u>

FIDUCIARY FUNDS

YALE PUBLIC SCHOOLS

PRIVATE-PURPOSE TRUST FUNDS COMBINING STATEMENT OF FIDUCIARY NET ASSETS JUNE 30, 2008

	<u>Thelma Stewart Scholarship</u>	<u>Eva Graham Scholarship</u>	<u>Bette Guilliani Scholarship</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,102	\$ -	\$ 1,102
Investments	<u>341,727</u>	<u>126,287</u>	<u>20,383</u>	<u>488,397</u>
Total Assets	<u>341,727</u>	<u>127,389</u>	<u>20,383</u>	<u>489,499</u>
NET ASSETS				
Reserved For Scholarships	<u>\$ 341,727</u>	<u>\$ 127,389</u>	<u>\$ 20,383</u>	<u>\$ 489,499</u>

PRIVATE-PURPOSE TRUST FUNDS COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

Additions				
Interest	\$ 14,275	\$ 5,314	\$ 1,146	\$ 20,735
Deductions				
Scholarships awarded	<u>12,000</u>	<u>3,000</u>	<u>1,058</u>	<u>16,058</u>
Change in Net Assets	2,275	2,314	88	4,677
Net Assets at beginning of year	<u>339,452</u>	<u>125,075</u>	<u>20,295</u>	<u>484,822</u>
Net Assets at end of year	<u>\$ 341,727</u>	<u>\$ 127,389</u>	<u>\$ 20,383</u>	<u>\$ 489,499</u>

YALE PUBLIC SCHOOLS

AGENCY FUND

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
ASSETS				
Cash and cash equivalents	<u>\$ 231,093</u>	<u>\$ 582,858</u>	<u>\$ 577,957</u>	<u>\$ 235,994</u>
LIABILITIES				
Due to student groups	<u>\$ 231,093</u>	<u>\$ 582,858</u>	<u>\$ 577,957</u>	<u>\$ 235,994</u>

YALE PUBLIC SCHOOLS

Yale, Michigan

**SUPPLEMENTARY INFORMATION TO BASIC
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED JUNE 30, 2008

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



YALE PUBLIC SCHOOLS

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report on -	
Supplementary Financial Information	1
Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2
Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	4
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Education
Yale Public Schools
Yale, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yale Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements. Those financial statements are the responsibility of Yale Public Schools' management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Yale Public Schools' basic financial statements. The Schedule of Expenditures of Federal Awards presented on Pages 6 through 8 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Stewart, Beauvais & Whipple".

Certified Public Accountants

September 10, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Yale Public Schools
Yale, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yale Public Schools as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon, dated September 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financing Reporting

In planning and performing our audit, we considered Yale Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statement that is more than inconsequential will not be prevented or detected by Yale Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Yale Public Schools' internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or, material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yale Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Yale Public Schools in a separate letter, dated September 10, 2008.

This report is intended solely for the information and use of the management and Board of Education of Yale Public Schools, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

September 10, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Yale Public Schools
Yale, Michigan

Compliance

We have audited the compliance of Yale Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Yale Public Schools' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Yale Public Schools' management. Our responsibility is to express an opinion on Yale Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yale Public Schools' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Yale Public Schools' compliance with those requirements.

In our opinion, Yale Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Yale Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Yale Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yale Public Schools' internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the district's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the district's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management and the Board of Education of Yale Public Schools, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

September 10, 2008

YALE PUBLIC SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue at June 30, 2008
U.S. DEPARTMENT OF AGRICULTURE - Passed through Michigan Department of Education:							
USDA Commodities -	10.550						
Entitlement Commodities		\$ 38,108	\$(6,102)	\$ -	\$ 37,189	\$ 31,087	-
Bonus Commodities		87	-	-	87	87	-
		<u>38,195</u>	<u>(6,102)</u>	<u>-</u>	<u>37,276</u>	<u>31,174</u>	<u>-</u>
Nutrition Cluster:							
School Breakfast Program -	10.553						
071970 2006-07 Program		49,014	-	44,229	4,785	4,785	-
081970 2007-08 Program		51,201	-	-	51,201	51,201	-
		<u>100,215</u>	<u>-</u>	<u>44,229</u>	<u>55,986</u>	<u>55,986</u>	<u>-</u>
National School Lunch Program -	10.555						
Sec. 4 - All Lunches -							
081950 2007-08 Program		38,649	-	-	38,649	38,649	-
071950 2006-07 Program		42,300	-	37,718	4,582	4,582	-
Sec. 11 - Free and Reduced -							
081960 2007-08 Program		167,612	-	-	167,612	167,612	-
071960 2006-07 Program		176,712	-	155,849	20,863	20,863	-
		<u>425,273</u>	<u>-</u>	<u>193,567</u>	<u>231,706</u>	<u>231,706</u>	<u>-</u>
Special Milk Program For Children -	10.556						
081940 2007-08 Program		1,511	-	-	1,511	1,511	-
071940 2006-07 Program		1,639	-	1,455	184	184	-
		<u>3,150</u>	<u>-</u>	<u>1,455</u>	<u>1,695</u>	<u>1,695</u>	<u>-</u>
Total Nutrition Cluster		<u>528,638</u>	<u>-</u>	<u>239,251</u>	<u>289,387</u>	<u>289,387</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>566,833</u>	<u>(6,102)</u>	<u>239,251</u>	<u>326,663</u>	<u>320,561</u>	<u>-</u>

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue at June 30, 2008
U.S. DEPARTMENT OF EDUCATION -							
Passed Through Michigan Department of Education: Educationally Deprived Children - Title I Part A Grants - 081530-0708 Regular	84.010	\$ 213,522	\$ -	\$ -	\$ 213,522	\$ 213,522	-
Title V Innovative Education Program Strategies - Title V Innovative Education Program - 080250-0708	84.298	468	-	-	468	468	-
Technology Literacy Challenge - Title II Education Technology - 074290-07808	84.318	\$ 2,007	\$ -	\$ -	\$ 1,446	\$ 1,446	\$ -
Improve Teacher Quality - Title IIA Teacher Quality Form - 070520-0607 080520-0708	84.367	84,543 88,700 173,243	8,507 - 8,507	66,666 - 66,666	14,250 27,302 41,552	22,757 27,302 50,059	- - -
Total Passed Through Michigan Department of Education		389,240	8,507	66,666	256,988	265,495	-
Passed Through St. Clair County Regional Educational Service Agency: Handicapped Preschool and School Program - PL 94-142 Flowthrough - 080450-0708 Regular 060450-0405 Regular	84.027	344,925 341,903 686,828	- 91,348 91,348	- 341,903 341,903	344,925 - 344,925	344,925 91,348 436,273	- - -

Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue at July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue at June 30, 2008
U.S. DEPARTMENT OF EDUCATION - (cont'd)							
Drug-Free Schools and Communities- Drug-Free Formula - 082860-0708	84.186	7,996	-	-	6,839	6,839	-
Total Passed Through St. Clair County Regional Educational Service Agency		694,824	91,348	341,903	351,764	443,112	-
Passed Through Macomb Intermediate School District: Handicapped Preschool and School Program- MIBSI Funds	84.027	6,876	-	-	6,876	6,876	-
Total U.S. Department of Education		1,090,940	99,855	408,569	615,628	715,483	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES -							
Passed Through St. Clair County Regional Educational Service Agency: Medical Assistance Program Title XIX - Medicaid School Based Services - Transportation 0607	93.778	442	-	-	442	442	-
Total U.S. Department of Health and Human Services		442	-	-	442	442	-
TOTAL FEDERAL AWARDS		\$ 1,658,215	\$ 93,753	\$ 647,820	\$ 942,733	\$ 1,036,486	\$ -

The accompanying notes are an integral part of this schedule.

YALE PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The School District administers a number of federal grants, which are paid under reimbursement arrangements in which the District bills the Michigan Department of Education or other pass-through grantors for allowable costs incurred. The programs identified on the Schedule of Expenditures of Federal Awards are reported in the General and Special Revenue Funds of the District.

Revenue has been accrued at June 30, 2008, to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as deferred revenue. All year-end accruals are considered to have met the modified accrual basis revenue recognition criteria of measurability and availability. USDA commodities have been recognized as revenue when received by the District.

NOTE 2 – NONCASH ASSISTANCE:

The value of the noncash assistance (commodities) received was determined in accordance with the provisions of OMB Circular A-133.

NOTE 3 – GRANT SECTION AUDITOR'S REPORT:

Management has utilized Form R-7120 in preparing the schedule of expenditures of federal awards.

The following is reconciliation between the current year's cash receipts column per the Schedule of Expenditures of Federal Awards and the Form R-7120:

	<u>Current Year Cash Receipts</u>	<u>R-7120</u>	<u>Received July 2007</u>
Title IIA Teacher Quality Form 070520 0607	27,757	14,250	8,507

In addition, the Form R-7120 reported cash received in prior years for several 2005 programs.

YALE PUBLIC SCHOOLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I - Summary Of Auditor's Results:

Financial Statements

Type of auditor's report issued:

Unqualified

Internal controls over financial reporting:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies) identified not
considered to be material weaknesses?

_____ yes x none reported

Noncompliance material to financial
statements noted?

_____ yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies) identified not
considered to be material weaknesses?

_____ yes x none reported

Type of auditor's report issued on compliance
for major programs:

Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A - 133,
Section 510(a)?

_____ yes x no

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

CFDA # 84.027

Handicapped Preschool and School Program

Dollar threshold used to distinguish
between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 x yes _____ no

Section II - Financial Statement Findings:

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs:

There were no Federal Award Findings and Questioned Costs.

Section IV - Prior years Findings and Questioned Costs:

There were no Prior Year Findings and Questioned Costs.